

The African Development Bank Group Chief Economist Complex



Market Brief

Volume1, Issue 45

19 November, 2010

Africa Economic & Financial Brief

For the period 8 – 12 November, 2010

Contents:

1. Market Commentary
 - 1.1 Stock Markets
 - 1.2 Commodity Markets
 - 1.3 Exchange Rates
2. Regional Developments
3. Countries in Focus
4. Development Partnerships
5. Summary

1. Market Commentary

1.1 Stock Markets

During the week of 8 – 12 November 2010, African stock markets showed mixed performance while a bearish sentiment prevailed on stock markets in the U.S. and Europe on intensifying concerns about Europe's debt crisis and growing speculation that China would raise interest rates. The stock market in Tunisia led the gainers, recording a substantial increase of 3%. It was followed by the markets in Nigeria and Mauritius, which registered significant gains of 2.3% and 1.4%, respectively. Increases of less than 1% were posted by the markets in South Africa, Uganda, and Morocco. On the other hand, four African stock markets fell, with Ghana, Côte d'Ivoire, and Kenya recording losses of between 1.2% and 1.6%, while that of Egypt registered a marginal loss of less than 0.1%.

Equity Focus

Tunisia: The Tunis Stock Exchange's TUNINDEX soared by 3% in the second week of November, recovering from its October setbacks. The rally came after the Government provided details on the short-term capital gains tax to be effective from January 1, 2011. Resources mobilized from the tax would be used to ensure adequate funding to the companies restructuring and upgrading their operations and, thus, would benefit the corporate sector.

Nigeria: The NSE All-Share Index

rebounded by 2.3% over the week, driven by the banking sector which was going to benefit from the operations of the Asset Management Corporation of Nigeria (AMCON). The AMCON has announced that the toxic assets of rescued banks will be taken over by the corporation and converted to equity. In particular, the state-owned AMCON will buy N 2.2 trillion (USD 14.5 billion) of bad debts from banks at discounted prices.

1.2 Commodity Markets

Crude Oil (Brent): The price of Brent crude oil fell by 2.3% over the week as concern over Irish debt and China's interest rate increase spurred a retreat from riskier assets, strengthened the U.S. dollar, and weakened commodity prices in general.

Cotton: The price of cotton fell by 1.5% over the week, the biggest weekly price drop since June, amid concern that demand will ease in China, the world's biggest consumer.

Mthuli Ncube
m.ncube@afdb.org
+216 7110 2062

Charles Leyeka Lufumpa
c.lufumpa@afdb.org
+216 7110 2175

Léonce Ndikumana
l.ndikumana@afdb.org
+216 7110 2076

Prepared by the following staff: Hee-Sik Kim (h.kim@afdb.org, Tel 216 7110 2689); Chaouch Anouar (a.chaouch@afdb.org, Tel +216 7110 3989). Peter Walkenhorst (p.walkenhorst@afdb.org), Manager, Research Division, supervised the work.

“The East African Development Bank has launched operations in Rwanda with the core objective of improving access to finances ...”

“Kenya is in negotiation with the International Monetary Fund to borrow about \$500 million over the next three years to boost foreign-currency reserves ...”

1.3 Exchange Rates

The majority of African currencies depreciated alongside the Euro, which fell by 3.1% to a six-week low against the U.S. dollar on Europe's growth slowdown and debt concerns. France's GDP rose by 0.4 % in the third quarter, down from the 0.7 % gain in the previous quarter, while GDP growth in Germany slipped to 0.7 % from 2.3 % during the same periods.

Twenty nine African currencies depreciated, with the largest loss of 3.9% being recorded by the Comoros Franc. Also, the CFA Franc, the Morocco Dirham, the São Tomé & Príncipe Dobra, the Libyan Dinar, and the Tunisian Dinar registered losses of over 2% against the U.S. dollar in line with the depreciation of the Euro. In contrast, six currencies appreciated with the Gambian Dalasi posting the largest gains against the U.S. dollar (4.5%). The currencies of DRC and Mozambique remained unchanged.

2. Regional Developments

Africa: Leaders of the G-20 major economies issued a *Seoul Development Consensus for Shared Growth*, calling for "inclusive, sustainable and resilient growth" to reduce poverty. They also recognized that foreign aid remains essential to the development of most low-income-countries. In a joint communiqué, the leaders identified nine key pillars which required action to remove bottlenecks to growth in developing countries, including "infrastructure, human resource development, trade, private investment and job creation, food security, growth with resilience, financial inclusion, domestic resource mobilization and knowledge sharing."

East Africa: The East African Development Bank has launched operations in Rwanda with the core objective of improving access to finance. The Rwandan Government expects the bank to create closer and more dynamic interactions with stakeholders in all member states of the East African Community (EAC).

3. Countries in Focus

Egypt: The Government is working to develop the secondary market for government securities, which has lagged far behind that of its equity market, with only a handful of Egyptian government and corporate securities trading each day. The thin trade has pushed up the government's cost of borrowing and reduced options for corporations seeking to raise finance.

Ghana: Ghana's annual inflation rate was flat at 9.4 % in October, bringing to an end a 15-month string of monthly declines. The Bank of Ghana has lowered the policy rate by 500 basis points to 13.5 % in a succession of cuts since late 2009. Ghana's \$750 million 2017 Eurobond is yielding a 5.8 % interest, with the year-to-date depreciation of the Cedi remaining at -0.1%.

Kenya: Kenya is in negotiation with the International Monetary Fund to borrow about \$500 million over the next three years to boost foreign-currency reserves. The Government expects the funding to enable the country to spend more domestically without putting pressure on its balance of payments. Kenya is investing in road-building and energy projects to lift economic growth to 6 % in 2011, from an estimated 5 % this year.

Libya: Libyan energy company Tamoil announced it will close a 90,000 barrels per day refinery in Cremona, Italy and gradually transform it into a depot by the end of 2011. Analysts conjecture the closure reveals the high vulnerability of small and medium-size refiners to the refining sector downturn, which has been triggered by the economic crisis and weak demand.

“In Nigeria, new rules will be in effect, prohibiting commercial banks from buying investment properties or giving loans for people to invest in the primary issues of bank shares ...”

“In Zimbabwe, the Government has chosen Essar Africa Holdings Ltd, an arm of India's Essar Group, to take majority control of troubled state-owned steel maker ZISCO, recording the first privatization under a power-sharing government”

Niger: A United Nations study has reported that Niger will produce over 60% more cereals this year than in 2009, when crops failed due to poor rains, leading to widespread hunger. But the U.N. report warned that the country must rein in population growth, which could increase the population from the current 15 million to 50 million by 2050, to prevent further crises.

Nigeria: The Central Bank of Nigeria announced that new rules prohibiting commercial banks from buying investment properties or giving loans for people to invest in the primary issues of bank shares come into effect on November 15. Under the new rules, banks have to operate as commercial, merchant, and specialized lenders, not as universal banking units.

Sierra Leone: The Government forecast in its 2011 budget speech that economic growth this year would amount to 4.5%, rising to 5.2% next year and reaching 6.0% in 2012. It also expects inflation to fall from 16% in 2010, to 9.5% in 2011 and 8% in 2012.

South Africa: Growth in South Africa's manufacturing output slowed sharply in September, weighed down by strikes during the month. Factory production contributes about 15 % to GDP, but remains depressed after last year's contraction. Output expanded by 1.4% in volume terms in September, less than the 5.3 % posted in August.

Sudan: The Government signed 10 exploration deals for gold and other minerals, part of a wider bid to diversify the nation's resource-based output from crude oil ahead of the expected independence of the oil-producing South. From the beginning of the year up until the end of October, Sudan has mined 23 tonnes of gold. The Government forecasts to mine no less than 60 tonnes next year.

Uganda: The Uganda Coffee Development Authority (UCDA) expects to export 250,000 60-kg bags of coffee in November this year, up 6.3 % against the same month in 2009 after good weather increased bean

production.

Zimbabwe: The Government has chosen Essar Africa Holdings Ltd, an arm of India's Essar Group, to take majority control of troubled state-owned steel maker ZISCO. ZISCO is the first privatization under a power-sharing government formed last year. The Indian company will take over ZISCO's \$240 million debt.

4. Development Partnerships

EIB-Morocco: The European Investment Bank (EIB) has lent Morocco 420 million Euros to finance a section of a highway and expand a port. The North African country has plans to invest around \$10 billion over the next 10 years to upgrade basic infrastructure, enhance economic competitiveness and lure foreign investment.

5. Summary

During the week of 8 – 12 November 2010, African stock markets showed a mixed performance. Large upward movements were recorded in Tunisia and Nigeria due to efforts by government to support the restructuring of industries and changes to bank rules, respectively. Other positive developments over the week include: substantial recovery of cereal harvests in Niger, privatization of a debt-ridden state company in Zimbabwe, and stabilizing prices in Sierra Leone. On the other hand, South Africa's manufacturing output slowed due to strikes.

Appendix Table 1: Stock market movements – Week ending on 12 November, 2010

Stock Markets							
Region/Country	Index Name	Index Code	Market Capitalization (USD, million) (12-11-2010)	Weekly % change (12-11-2010)		Year-to-date % Change	
				Week under review	Previous week	Dec 31 - Nov 12	
Côte d'Ivoire	BRVM Composite Index	BRVM CI	5,561	▼ -1.57	▲ 3.66	▲	25.4
Egypt*	CASE 30 Index	CASE30	18,912	▼ -0.02	▲ 1.00	▲	8.9
Ghana	Ghana All Share	GSE	13,680	▼ -1.57	▲ 0.41	▲	22.1
Kenya	Nairobi SE Index- NSE 20	NSE 20	15,083	▼ -1.22	▼ -0.16	▲	41.5
Mauritius	Mauritius AllShares	SEMDEX	5,520	▲ 1.38	▲ 0.04	▲	13.7
Morocco	Casa All Share Index	MASI	15,063	▲ 0.05	▲ 0.27	▲	17.2
Nigeria	NGSE All Share Index	NGSE	52,054	▲ 2.29	▼ -0.97	▲	21.8
South Africa	All Share Index	JALSH	750,542	▲ 0.75	▲ 3.37	▲	14.6
Tunisia	Tunis se Tnse Index STK	TUNINDEX	3,100	▲ 3.04	▲ 0.91	▲	24.1
Uganda*	Uganda SE All Share index	USE	5,554.7	▲ 0.54	▼ -0.02	▲	64.0
Others							
USA	Dow Jones Industrial	DJ Index	3,535,671	▼ -2.20	▲ 2.93	▲	7.3
France	CAC 40 Index	CAC40	961,433	▼ -2.19	▲ 2.17	▼	-2.7
Japan	Nikkei 225 Index	N225	2,369,285	▲ 1.03	▲ 4.60	▼	-7.8

* Value at end of 11 November, 2010

Appendix Table 2: Exchange rate movements – Week ending on 12 November, 2010

Exchange Rates (currency per US\$)								
Region/Country	Currency Name	Currency Code	Weekly % change (12-11-2010)		Year-to-date % Change			
			Week under review	Previous week	Dec 31 -Nov 12			
Africa								
Algeria	Algerian Dinar	DZD	▼	-0.64	▲	1.13	▼	-1.0
Angola	New Kwanza	AON	▲	0.01	▲	0.52	▼	-3.4
Botswana	Pula	BWP	▼	-1.51	▲	2.33	▲	1.9
Burundi	Burundi Franc	BIF	▼	-0.53	▲	0.10	▲	0.9
Cape Verde	Escudo	CVE	▼	-1.86	▲	1.89	▼	-6.9
Comoros	Comoros Franc	KMF	▼	-3.85	▲	1.99	▼	-4.7
Congo. Dem. Rep. of	Congolese Franc	CDF	▲	0.00	▼	0.00	▼	-12.2
Djibouti	Djibouti Franc	DJF	▼	-1.26	▲	1.50	▼	-2.3
Egypt	Egyptian Pound	EGP	▼	-0.29	▲	0.75	▼	-4.6
Ethiopia	Birr	ETB	▼	-0.48	▲	0.32	▼	-22.9
Gambia. The	Gambian Dalasi	GMD	▲	4.53	▼	-0.02	▼	-2.8
Ghana	New Cedi	GHS	▼	-0.07	▼	-0.12	▲	0.1
Guinea	Guinea Franc	GNF	▼	-0.28	▲	0.93	▼	-29.3
Kenya	Kenyan Shilling	KES	▼	-0.73	▲	0.03	▼	-5.8
Liberia	Liberian Dollar	LRD	▲	2.86	▲	0.69	▲	0.0
Libya	Libyan Dinar	LYD	▼	-2.34	▲	5.64	▲	2.6
Madagascar	Ariary	MGA	▼	-1.54	▲	1.56	▼	-2.1
Malawi	Kwacha	MWK	▲	0.34	▼	-0.16	▼	-3.2
Mauritania	Ouguiya	MRO	▲	2.42	▲	0.27	▼	-4.7
Mauritius	Mauritius Rupee	MUR	▼	-0.90	▲	0.55	▲	1.7
Morocco	Dirham	MAD	▼	-2.54	▲	1.81	▼	-3.3
Mozambique	New Metical	MZN	▲	0.00	▲	0.00	▼	-24.2
Nigeria	Naira	NGN	▼	-0.51	▲	0.19	▼	-0.2
Rwanda	Rwandan Franc	RWF	▼	-0.33	▼	-0.36	▼	-2.7
São Tomé & Príncipe	Dobra	STD	▼	-2.38	▲	2.31	▼	-11.0
Seychelles	Seychelles Rupee	SCR	▼	-0.67	▲	0.60	▼	-8.7
Sierra Leone	Leone	SLL	▼	-0.04	▲	0.04	▼	-6.0
Somalia	Somali Shilling	SOS	▼	-1.10	▲	1.33	▼	-7.4
South Africa	Rand	ZAR	▼	-0.97	▲	2.82	▲	7.4
Sudan	Sudanese Pound	SDG	▲	0.09	▲	0.18	▼	-1.6
Tanzania	Tanzanian Shilling	TZS	▼	-0.27	▲	0.61	▼	-10.2
Tunisia	Tunisian Dinar	TND	▼	-2.01	▲	1.50	▼	-5.6
Uganda	Uganda Shilling	UGX	▼	-0.14	▲	0.14	▼	-16.4
Zambia	Zambian Kwacha	ZMK	▼	-0.45	▲	0.89	▲	0.5
CFA zone Countries	CFA Franc	XOF	▼	-3.49	▲	2.61	▼	-4.3
Others								
Europe	Euro	EUR	▼	-3.12	▲	2.21	▼	-4.1
Japan	Yen	JPY	▼	-1.73	▲	0.44	▲	12.1

Source: AfDB Statistics Department, November 2010